

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 1999-008-E – ORDER NO. 1999-46  
JANUARY 20, 1999

IN RE: Application of Carolina Power	)	
& Light Company for Authority	)	ORDER GRANTING
to Issue and Sell Additional Securities	)	AUTHORITY TO ISSUE AND
(Long-Term Debt)	)	SELL ADDITIONAL SECURITIES
	)	(LONG-TERM DEBT)
	)	

✓ MR

This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (the Company), filed on December 29, 1998, requesting authority to issue and sell additional securities in the form of long-term debt.

**FINDINGS OF FACT**

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The names and post office address of its attorneys are: William F. Austin, Austin, Lewis & Rogers, Post Office Box 11716, Columbia, South Carolina 29201; and Patricia Kornegay-Timmons and Len S. Anthony, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, and authorized to do business in South Carolina. Its principal office is located at 411 Fayetteville Street, Raleigh, North Carolina, 27601. The Company is primarily engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at September 30, 1998, consisted of Common Stock with a stated value of \$1,372,267,000 and Preferred Stock with a stated value of \$59,376,000. As of September 30, 1998, the retained earnings of the Company were \$1,740,043,000.

The Company's existing long-term debt at September 30, 1998, consisted of principal amounts of \$1,536,130,000 in First Mortgage Bonds and \$1,089,228,000 in other long-term debt, including \$412,300,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W.T. Cunningham, who presently is acting as Individual Trustee, as supplemented by sixty-five Supplemental Indentures (the "Mortgage").

3. As indicated on page 13 of the Company's Form 10-K for the year ended December 31, 1997, the Company's capital requirements are projected to total approximately \$693 million in 1998 and \$625 million in 1999.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to issue and sell up to \$1,500,000,000 of additional long-term debt securities. The Company intends to sell the proposed long-term debt securities during the effective period of a shelf Registration Statement that the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities. Said shelf Registration Statement included a prospectus relating to the proposed \$1,500,000,000 principal amount of long-term debt securities. Prior to filing such shelf Registration Statement, the

Company filed with the Securities and Exchange Commission two (2) post-effective Amendments on Form S-3/A withdrawing from registration the securities that remain available for issuance under Registration Statement Nos. 33-50597 and 33-57835 on Form S-3, which were filed with the Securities and Exchange Commission on October 14, 1993 and February 24, 1995, respectively. (The issuance of securities registered pursuant to Registration Statement No. 33-50597 was approved by Order No. 93-978 dated October 21, 1993, which was issued by this Commission in Docket No. 93-609-E. The issuance of securities registered pursuant to Registration Statement No. 33-57835 was approved by Order No. 95-784 dated March 29, 1995, which was issued by this Commission in Docket No. 95-461-E.) Upon the Securities and Exchange Commission's acceptance of the post-effective Amendments, the \$375,000,000 in long-term debt that is currently available for issuance pursuant to Registration Statement Nos. 33-50597 and 33-57835 will be eliminated.

The net proceeds to be received from the proposed issuance of up to \$1,500,000,000 in additional long-term debt securities will be used for (i) the Company's ongoing construction and maintenance program, (ii) general corporate requirements including the repayment of short-term debt, (iii) the possible future acquisition of other entities or their assets, and (iv) the refunding of outstanding issues of First Mortgage Bonds, preferred stock, or other debt securities having rates higher than market rates determined at the time of sale of the additional long-term debt securities. For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures was included with the Company's Application.

5. The Company will consider the issuance of First Mortgage Bonds including secured medium-term notes, debt instruments sold to European investors ("Eurobonds"),

unsecured debt, including unsecured medium-term notes, debentures, senior notes that initially will be secured by one or more series of First Mortgage Bonds, but will become unsecured when the Company's other First Mortgage Bonds are retired, or other forms of long-term debt securities not specifically referenced herein. The Company continuously monitors rates, terms and conditions for alternative forms of debt financing and will determine which type of security offers the most favorable terms to the Company. In general, the Company will only consider issuing additional long-term debt securities for refunding purposes when a new issue can be priced at least .5% below the break-even rate of the issue to be refunded and if the refunding yields net present value savings of \$500,000 or more. (Break-even rate includes consideration of call premium and issuance expenses.)

6. The Company proposes to issue the additional long-term debt securities either in discrete financing transactions or pursuant to a continuous offering program. Under a continuous offering program involving the debt securities, secured and unsecured medium-term notes may be continuously offered and issued in an amount deemed appropriate and necessary by the Company but in no event exceeding the amount authorized pursuant to the Company's Application.

7. The Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance in accordance with the terms thereof. The interest rate will be determined by the Company at or prior to the sale of the securities. The Company intends to determine the method of sale and the financial institution(s) which will offer the most favorable terms to the Company.

8. To the extent the proposed long-term debt securities are the Company's First Mortgage Bonds, they will be created and issued under, and subject to, the provisions of the Company's Mortgage, as heretofore supplemented and as to be further supplemented by a Supplemental Indenture to be executed in connection with their issuance. To the extent the proposed long-term debt securities are senior notes, they will be created and issued under, and subject to the provisions of an Indenture relating to Senior Notes, substantially in the form attached to the Company's Application as Exhibit A, as supplemented by Supplemental Senior Note Indentures, to be executed in connection with their issuance. To the extent the long-term debt securities or other forms of securities not specifically referenced herein, they will be created and issued under and subject to the provisions of an Indenture relating to a Debt Security, substantially in the form attached to the Company's Application as Exhibit B, as supplemented by Supplemental Debt Security Indentures, to be executed in connection with their issuance.

9. The Company estimates that it will incur expenses, excluding underwriting fees, in the range of approximately \$400,000 in connection with a private placement of or a public offering of the debt securities. Underwriting fees may vary significantly depending on the terms of the offering.

10. In the period from January 1, 1995, through September 30, 1998, the Company had a net decrease in cash and cash equivalents of approximately \$55,668,000. Attached to the Company's Application as Exhibit C is a statement of such cash flows.

11. Pursuant to Order No. 91-72 in Docket No. 91-032-E, the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company has responded to each of those questions as follows:

- a. The Company's Consolidated Financial Statements as of December 31, 1997 and Consolidated Interim Financial Statements as of September 30, 1998 were attached to the Company's Application as Exhibit D and Exhibit E, respectively. The effects of the proposed issuance on the income statement and balance sheet of the Company are shown in Exhibit F to the Company's Application.
- b. The net proceeds to be received from the proposed issuance of up to \$1,500,000,000 of additional long-term debt securities will be used for (i) the Company's ongoing construction and maintenance program, (ii) general corporate requirements including the repayment of short-term debt, (iii) the possible acquisition of other entities or their assets, and (iv) the refunding of outstanding issues of First Mortgage Bonds, preferred stock, or other debt securities having rates higher than market rates determined at the time of sale of the additional long-term debt securities. For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures was included with the Company's Application.
- c. If the proposed issuance and sale of additional long-term debt on the conditions set forth above is delayed or not granted, the Company's ability to take advantage of financial market and liability management opportunities may be impaired, resulting in higher costs to the Company and its ratepayers.
- d. The expected effective interest rate of the additional long-term debt securities issuance will depend upon market conditions and the terms of the offering at the time the debt is issued.

e. The issuance of long-term debt securities benefits the Company by enabling it to achieve the purposes set forth in subsection b. above. Underwriting expenses may vary significantly, depending on the terms of the offering at the time the debt is issued.

f. The impact of the proposed transaction on the Company's capital structure at September 30, 1998 is represented in the pro forma financial statements provided in Exhibit F to the Company's Application.

12. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

13. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

### **CONCLUSIONS OF LAW**

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the proposed issuance and sale of additional long-term debt of not more than \$1,500,000,000;

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and

- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED THAT:


1. Carolina Power & Light Company be and hereby is authorized, empowered and permitted: (i) to issue and sell up to \$1,500,000,000 of additional long-term debt securities pursuant to the terms and conditions described herein at such times as the Company may deem necessary or advisable, and (ii) to execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or transactions.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances.

3. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)